

SOFT DRINKS SYRUP TAX
RCW 82.64

Tax Base Syrup used in making carbonated beverages. Syrup is defined as a concentrated liquid to which carbonated water is added to produce a carbonated beverage. The tax is imposed on wholesale or retail sales of such syrup within the state.

Tax Rate \$1.00 per gallon.

Levied By State.

Administration Department of Revenue. The tax is collected by wholesalers from retail purchasers or directly by retailers and is reported on the combined excise tax return (Form #40 2406).

Recent Collections (\$000)

<u>Fiscal Year</u>	<u>Collections*</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2001	\$9,278	(6.3)%	0.1%
2000	9,901	0.1	0.1
1999	9,894	(4.5)	0.1
1998	10,355	8.9	0.1
1997	9,505	(19.1)	0.1
1996	11,745	(50.1)	0.1
1995	23,514	3.7	0.2
1994	22,676	(3.4)	0.3
1993	23,469	12.5	0.3
1992	20,867	(5.4)	0.3

*includes carbonated beverage tax prior to FY 1996.

Exemptions, Deductions and Credits

- successive sales of previously taxed syrup;
- beverages/syrup exported from the state;
- sales of trademarked syrup to bottlers;
- syrup which was subject to the tax prior to June 1, 1991;
- syrup subject to similar taxes in other states or countries.

History

The tax was adopted in 1989 effective on July 1, 1989. Originally it applied to either canned and bottled carbonated beverages at a rate of 0.084 cents per ounce (roughly one cent per 12 ounce container) plus a tax of \$0.75 per gallon for syrup used to produce carbonated beverages. Initially, the tax was scheduled to be in effect for six years before expiring on July 1, 1995. In 1991 the tax was modified from a first possession tax to one that applies at both the wholesale and retail level, but an exemption is provided for subsequent sales of previously taxed products.

At the November 1994 election the voters approved Referendum 43 (the first voter-approved tax increase under Initiative 601) which extended the tax by eliminating the expiration date. In addition to increasing cigarette tax rates which also fund the violence prevention and drug enforcement account, this measure repealed the carbonated beverage tax on canned and bottled drinks but increased the \$0.75 tax that applies to syrup used in making such beverages to \$1.00 per gallon. These changes were effective on July 1, 1995.

Discussion/Major Issues

Approximately 70 taxpayers report the syrup tax.

The original carbonated beverage and syrup tax was enacted as part of a comprehensive funding package to combat alcohol and drug abuse in Washington. Partial explanation for the tax lies in the assumption that youth represent much of the consumption of soft drinks, while the programs funded by the tax are largely directly toward youth violence and drug problems.